

# STATE OF CALIFORNIA



California Energy Commission



California Public Utilities Commission

## **Notice of California Energy Commission and California Public Utilities Commission's Workshop on Greenhouse Gas Emission Allocation for the Electricity Sector**

The California Energy Commission's (Energy Commission) Assembly Bill (AB) 32 Committee, consisting of Chairman Jackalyne Pfannenstiel as Presiding Member and Commissioner Jeffrey Byron as Associate Member, in collaboration with the California Public Utilities Commission (CPUC), will conduct a workshop to discuss potential designs for a regulatory program to address greenhouse gas (GHG) emissions in the electricity sector. Other Commissioners may attend and participate in the workshop. In particular, the workshop will present potential design approaches of GHG emission allocation alternatives, structure of allowances and the potential use of auctions to replace all or part of an allocation process. The workshop will be structured to encourage dialogue among participants. Straw proposals will be presented and participants will be asked two key questions:

- 1) What concerns you about the proposal?
- 2) How can the concerns be mitigated?

The workshop is part of the Joint Commissions' proceeding and timed such that the discussion can inform the parties' reply comments due to the Joint Commissions on November 14, 2007, as well as be incorporated into the record for decision makers' consideration.

**MONDAY, NOVEMBER 5, 2007**

10 a.m.

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street

First Floor, Hearing Room A

Sacramento, California

(Wheelchair Accessible)

Audio from this meeting will be broadcast over the Internet.

For details, please go to: [www.energy.ca.gov/webcast](http://www.energy.ca.gov/webcast)

To participate in the meeting by phone, please call 888-455-3612, by 10:00 AM  
Passcode: "AB 32" - Call Leader: Panama Bartholomy

## **BACKGROUND**

AB 32 (Stats. 2006, ch. 488) requires the California Air Resources Board (ARB) to, after consulting with all state agencies with jurisdiction over sources of GHG emissions, including the CPUC and the Energy Commission, adopt a GHG emissions cap on all major sources to reduce statewide emissions of greenhouse gases to 1990 levels. The Energy Commission is collaborating with the CPUC to craft and possibly adopt a set of recommendations to ARB for the electricity and natural gas sectors. For more information on the specific topics to be addressed at this hearing, please see the Energy Commission's website at [[www.energy.ca.gov/ghg\\_emissions/meetings/index.html](http://www.energy.ca.gov/ghg_emissions/meetings/index.html)].

### **Overview of Workshop Topic on Entity-Specific Allowance Allocation**

In Decision (D.) 06-02-032, which was issued prior to the passage of AB 32, the CPUC addressed the allocation of GHG allowances, and noted that "there are basically two options for distributing GHG emissions allowances to LSEs. The first option is to have an administrative allocation. The second is to have an auction where LSEs with obligations bid for the GHG emissions allowances."

On October 15, 2007, under Rulemaking 06-04-009, the CPUC released a ruling asking for parties' comments on "entity-specific allowance allocation" system design questions. In order to explore in greater depth parties' comments and proposals the Energy Commission's AB 32 Committee and the CPUC would like to engage in a dialogue with parties.

The CPUC ruling requests answers to ruling questions by October 31, 2007, and replies to submitted comments by November 14, 2007. This workshop will allow parties the opportunity to express in greater detail their comments submitted to the ruling, as well as inform their replies to comments.

In the morning, the workshop will focus on design principal differences between allocation and auction approaches to emission allowances. Specific parties will be asked to present two allowance system design straw proposals (auction verses allocation). Parties will be expected to explain how the proposal would fit with either a load based or first seller approach. Recognizing that a third hybrid allowance system may emerge, issues related to the transition from allowance to auction systems will also be discussed. Parties will then be given an opportunity to respond to the straw proposals and highlight both concerns and mitigation strategies.

The afternoon will focus on the different options for allocation factors, including but not limited to: "grandfathering," "benchmarking," "updating" and "sales." A short summary will be given for each option and then parties will be asked to provide counter-points to the option. Parties that support each option will then be asked to provide support for that option and offer suggestions for mitigations to the counter-points raised by objecting parties.

The goal of the afternoon will not be to define the formula for the basis of an allocation system but to better illuminate trade-offs and options.

The workshop will conclude with an opportunity for closing thoughts and comments by the parties. The presented proposals will be made available after the workshop.

The workshop will be webcast but a transcript will not be available, as no court reporter will be present.

## **Public Participation**

The Energy Commission's Public Adviser's Office provides assistance to the public in participating in Energy Commission activities. For information on how to participate in this proceeding, please contact the Public Adviser's Office by phone at (916) 654-4489, or toll free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at: **[pao@energy.state.ca.us]**.

The service list for this proceeding is handled electronically, with notices and documents posted to the Energy Commission's website. When new information is posted, an e-mail will be sent to those on the climate change e-mail list server. We encourage those who are interested in receiving these notices to sign up for the list server through the website at: **[www.energy.ca.gov/ghg\_emissions/index.html]**. Hard copies can be obtained by contacting Panama Bartholomy at (916) 654-4896.

Media inquiries should be directed to Claudia Chandler, Assistant Executive Director, at (916) 654-4989 or by email to: **[mediaoffice@energy.state.ca.us]**. Technical questions should be directed to Panama Bartholomy at (916) 654-4896 or by e-mail to: **[Pbarthol@energy.state.ca.us]**.

Dated October 20, 2007, at Sacramento, California.

/Signed/

JACKALYNE PFANNENSTIEL  
Chairman and Presiding Member  
California Energy Commission  
AB 32 Committee

/Signed/

JEFFREY D. BYRON  
Commissioner and Associate Member  
California Energy Commission  
AB 32 Committee

Mail Lists: Climate Change, Energy Policy and Electricity

Note: California Energy Commission's formal name is State Energy Resources Conservation and Development Commission.

**Public Utilities Commission/Energy Commission Workshop  
Policy Issues Related to Allowance Distribution**

November 5, 2007, 10:00 a.m.  
California Energy Commission  
Hearing Room A  
1516 Ninth Street  
Sacramento  
**PROPOSED FINAL AGENDA**

This workshop will address policy issues related to entity-specific GHG emission allowance distribution, whether by free allocation or auction and, if allowance, the metrics to be used.

<b>Agenda</b>		
<b>Time</b>	<b>Topic</b>	<b>Presenters or moderators</b>
10:00 to 10:15	Introductions, Purposes of Workshop, and Agenda	<b>Jackalyne Pfannenstiel, California Energy Commission</b> <b>ALJ Charlotte TerKeurst, Public Utilities Commission</b>
10:15 to 12:00	Discussion of methods to distribute allowances - <ul style="list-style-type: none"> <li>• Allowances based on historic emissions</li> <li>• Criteria for evaluating options</li> <li>• Auction-based approach</li> <li>• Mitigating economic impacts</li> <li>• Issues Discussion</li> </ul>	Moderation by Energy Commission staff  Los Angeles Dept of Water & Power Natural Resources Defense Council Union of Concerned Scientists Southern California Edison Audience
12:00 a.m. to 1:15 p.m.	Lunch Break	
1:15 to 3:30	Discussion of implications of allocation basis <ul style="list-style-type: none"> <li>• Summary of allocation options <ul style="list-style-type: none"> <li>• Grandfathering</li> <li>• Benchmarking</li> <li>• Updating</li> <li>• Sales or Customers</li> </ul> </li> </ul> Audience Discussion of Issues and Mitigation Approaches	Moderation by Energy Commission staff  Steve Roscow, Public Utilities Commission       Audience
3:30 to 4:30	Additional thoughts and wrap-up	All

Presentations will be based on comments filed in these proceedings on October 31.